Developments in Research on Pricing on the Internet

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Abstract With the Internet shopping channel growing in popularity, research on online consumer behavior has become more important than ever. Distinct characteristics associated with shopping online, such as the ease of price search and facilitated price comparisons, have triggered an intense price competition and have given rise to new pricing tactics or adaptations in existing pricing practices. This special session focuses on examining consumer response to selected Internet pricing practices, specifically, online daily deal promotions and pay-what-you-what participative pricing mechanism. Further, it provides a broad overview of challenges of online pricing practices and explores some Internet-enabled capabilities that may enhance online retailers' competitiveness without solely relying on price decreases.

The first paper by Kukar-Kinney and Xia (2014) proposes a comprehensive model of consumer response to online daily deal promotions. Led by companies such as Groupon and Living Social, daily deal promotions have become a popular retail format, offering temporary highly discounted offers. A unique feature of such promotions is their social influence, as they provide information about how many others already purchased the offer. Building on cue utilization and social exchange theories, the paper outlines how the social cue about the number of deals purchased by others influences consumers' deal evaluations and purchase intentions across a variety of conditions. Specifically, product, deal, and consumer individual characteristics are investigated as moderators of the impact of this social cue.

The second paper by Weisstein, Kukar-Kinney and Monroe (2014) explores consumer responses to a new form of participative pricing strategy, specifically, pay-what-you-want pricing, which allows consumers to set the price paid at any level, including zero. The goal is to evaluate viability of such practice on the Internet, taking into account the lack of sensory experience. Decision to allow consumers to set their own price may be especially critical for unknown brands, whereby the consumer cannot infer the product quality based on the brand reputation. The paper

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identifies several key elements that positively influence consumers' online purchase intentions and increase their pay-what-you-want price paid when shoopping online, especially in instances when the consumers are unfamiliar with the brand. These elements include an ability to virtually experience the product, an existence of suggested reference price for the product, and a presence of the reason for the pay-what-you-want policy.

After examining two specific online pricing strategies in the first two papers, the third paper by Cheng and Monroe (2014) places them in a broader context by taking a closer look at the challenges retailers face when operating in the online environment. Current online pricing strategies typically focus on the assumption of deal-seaking consumers who strive to minimize the price paid. As a result, much attention is given to promoting the deal aspects of online purchases, thereby increasing the perceived transaction value of the purchase. The paper questions the wisdom of such focus on ever lowering the price and explores some ways in which the perceived acquisition value can be enhanced. Several opportunities to achieve this outcomes are discussed.

Keywords Pricing • Internet • Pay-What-You-Want Pricing • Online Consumer Behavior

References

References Available Upon Request